Summary

Economic data included the employment situation report for October coming in far stronger than expected, as well as gains in ISM manufacturing, job openings, and consumer sentiment.

Equities fell back last week in markets with higher technology exposure, while markets with less fared better. Bonds gained along with a drop in yields as investors sought out safe haven assets. Commodities were largely down due to a sharp drop in oil prices, while gold saw a price increase.

Economic Notes

(+) The **ISM Manufacturing Index** rose 1.0 point in October to 55.5, further into expansion for the 10th straight month, and above expectations for no change. While employment fell a fraction of a point (remaining expansionary at 52), new orders and production improved further into expansion, up to over 55 and 59, respectively. Prices paid declined by -3 points to 75, although the environment continued to be plagued by inflationary pressures and "volatile commodity markets," along with related "material shortages." Other anecdotal comments noted overall that conditions were "strong," and especially so in the machinery business, due to the influences of AI and defense spending, and likely other reshoring activities on the manufacturing side.

(+/0) The final **S&P Global US manufacturing PMI** for Oct. was revised down -1.1 point to 54.9, below expectations calling for 56.0. By segment, output, new orders, and employment were all revised down by about a point each, but remained solidly expansionary in the mid-50s.

(0) The **ISM Services/Non-Manufacturing Index** for October declined by -0.4 of a point to 54.5, below the 54.8 expected, but remained solidly expansionary and above the trailing 12-month moving average for the series. This trend has continued for several years. Within the report, new orders fell by nearly -4 points, along with inventories and business activity down as well, while employment rose by a point, all remaining in the low to mid-50s range. Prices paid eased slightly by a point to a still-elevated 73 level, following a multi-year peak the prior month. Anecdotally, the sponsor noted that "tariffs and fuel costs" remained the "most cited" issues affecting respondent supply chains, where commentary about supply chains "increased significantly" over the past month.

(-/0) The final **S&P Global US services PMI** for Oct. reported a decline of -1.8 points to 56.1, below the unchanged 57.9 expected. New business and employment fell back a bit, but remained solidly in expansion in the mid-50s range. Input and output prices were revised down a bit, but remained around a midpoint of 60 or so, still high levels of expansion.

(-) **Construction spending** for September declined by -1.9% on a nominal basis, in contrast to an expected 0.3% increase, but also included a significant revision upward for August (from 1.1% to 2.0%). The decline was driven almost exclusively by a -13% drop in private residential improvements, which was a record for that category for a single month, although it's been volatile month-to-month this year. Total

non-residential spending (which includes all the AI activity) rose over a half-percent for the month. As costs rose by 0.3% in the month, real spending fell by a further -2.1%.

(+) The preliminary **Univ. of Michigan index of consumer sentiment** for November rose by 3 points to 51 (6%), surpassing the no change expected. Within the data, assessments of current conditions rose by 4.3 points (9%), while expectations for the future increased 2.1 points (4%). Interestingly, the report brought levels back to exactly where they were a year ago. Inflation expectations for the coming 1 year eased by -0.4% to 4.3%, while those for the next 5 years eased a tenth to 3.4%. Both inflation measures remain elevated. According to the survey sponsor, some consumers also expressed "growing anxiety" about a "possible AI bubble," although inflation concerns took a far higher priority. About 57%" of respondents mentioned that their living standards "have been eroded" by prices, which is up from earlier in the year, and above the 46% from February, before the Iran conflict.

(+) The **JOLTS** job openings report for September showed a rise of 333k to 7.523 mil., above the 7.164 mil. median forecast. Job openings were strongest in professional/business services (106k) and manufacturing (54k), in addition to state/local government (108k), which could be election-related. The job openings rate rose 0.2% to 4.5%, while the hiring rate rose a tenth to 3.4%. On the departure side, the layoff rate fell by -0.1% to 1.0%, and the quits rate rose 0.2% to 2.1%, both of which most notably in construction and real estate.

(+/0) **Initial jobless claims** for the Oct. 31 ending week fell by -6k to 189k, below the expected minimal change to 196k. Declines were most notable in CA, KY, and MI. Continuing claims for the Oct. 24 week, on the other hand, rose by 23k to 1.718 mil., above the 1.710 mil. expected. Initial claims continue to come in at historically low levels, which is even more dramatic considering the rise in population over the decades.

(+) The employment situation report for October came in far stronger than expected. **Nonfarm payrolls** rose by 165k, exceeding the expected 70k, and well above the 48k average of the past 12 months. It also included revisions for the two prior months of Aug. (up 53k to 186k) and Sept. (up 31k to 60k). Per the BLS, relative job gains were strongest in professional/business services (70k), health care (42k), transportation/warehousing (25k), and manufacturing (19k). The U-3 **unemployment rate** fell by a few hundredths, rounding back down to 4.1%, to the lower end of its tight range over the past two years, while the U-6 underemployment rate rose by 0.3% to 7.9%. **Average hourly earnings** rose by 0.4%, rounding the trailing 12-month change down to 3.1%. The **average workweek length** was unchanged at 34.4. It appeared that some of the payroll changes were the result of both seasonal influences and some impact from the AI buildout, but healthcare sector growth has been one of the strongest contributors for the past several years.

Earlier in the week, preliminary nonfarm **productivity** for Q3 rose by a quarterly annualized 3.6% rate, above the 2.7% expected, and well above the 2.1% pace of the prior quarter. Productivity decelerated by -0.2% to a 2.1% rise on a year-over-year basis. The report included several revisions over the past 5 years to U.S. national accounts, which pulled up quarterly productivity by around a tenth of a percent or so.

Interestingly, recent work by Apollo Global has shown that AI productivity hasn't yet reached S&P 500 companies outside of the technology-focused Magnificent 7, in terms of revenue per worker gains. And, interestingly, some firms have begun to see AI token usage as a cost center item weighing on margins, as opposed to a source of growth. Of course, over time, this is expected to improve, but the pace remains a mystery. **Unit labor costs** declined by an annualized -0.7% in Q3, below expectations calling for a 0.4% rise, as well as the prior quarter's 1.9% reading. Year-over-year, unit labor costs decelerated by -0.2% to 2.4%. Labor costs trackers appear to be tracking at a current pace below that of 2.0% inflation, which is a negative for real worker cost of living inputs, but a positive in that it's not perpetuating a wage-cost spiral that could cause inflation to be even stickier than it already is.

Market Notes

Period ending 11/6/2026	**1 Week %**	**YTD %**
DJIA	-0.94	8.06
S&P 500	-2.67	8.78
NASDAQ	-3.37	6.25
Russell 2000	-2.03	12.05
MSCI-EAFE	-1.84	7.50
MSCI-EM	-4.08	8.83
Bloomberg U.S. Aggregate	0.40	-0.15

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2025	3.67	3.47	3.73	4.18	4.84
10/30/2026	4.16	4.56	4.71	4.94	5.31
11/6/2026	4.19	4.51	4.64	4.86	5.26

U.S. stocks experienced a difficult week, with volatile day-to-date results. After moving higher Wed., in a typical 'relief rally' following conclusion of the election, they fell back dramatically Thurs. upon weakness in the chip sector, with some fears about potential AI data center moratoriums from Democratic leaders weighing on the sector's growth. By sector, consumer discretionary and communications stocks led, while energy and technology saw the most severe declines. Real estate also gained nearly 2% for the week, along with an easing in yields.

Earnings for Q3 continued to roll in. Per FactSet, 88% of S&P 500 companies have now reported, showing a blended year-over-year earnings growth rate of 31.4%, still led by energy, technology, and materials. Revenue growth also moved up to 14.3%, while the forward 12-mo. P/E fell to a quite reasonable 17.7x, below the 5- and 10-yr. averages. An early read on Q4 earnings show already-strong expectations of 28% growth.

Foreign stocks were mixed, with Europe outperforming the U.S. with positive returns, and benefiting from less technology exposure and greater declines in energy, while Japan and emerging markets were held

back by higher correlation to technology (primary declines being in South Korea and Taiwan, down -10% to -15%, in keeping with recent AI tendencies). The Bank of England voted 8-1 to raise policy interest rates by 0.25% to 4.00%, their first hike in three years, due to still-high inflation readings and forecasts.

Bonds gained generally, as yields fell across most of the U.S. Treasury yield curve, with investment-grade corporates faring a bit better than other domestic categories. Although inflation fears haven't left, fixed income appeared to benefit from a bit of a 'risk-off' rally as equities suffered. Foreign bonds tended to fare best, especially in emerging market local currencies.

Commodities fell back for the week generally, driven by energy, while precious metals gains of 5%. Crude oil prices fell by -13% last week to $91/barrel. Monday saw the largest drop in oil prices since March, as the Iranians appeared to seek out a peace deal, in response to potential U.S. escalation post-midterms, seeing further declines Wed. as election results pointed to weaker sentiment in favor of the conflict.

Have a good week.

Ryan M. Long, CFA

Sources: Advisory Solutions Group, LLC, American Association for Individual Investors (AAII), Apollo Global, Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

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- **What caused the market to move this week?**

  Market movement is often driven by a combination of economic data, interest rate expectations, corporate earnings, investor sentiment, and geopolitical developments. A single week's movement should usually be viewed in the context of longer-term trends rather than as a stand-alone signal.

- **Why do interest rates affect stock and bond prices?**

  Interest rates influence borrowing costs, consumer spending, corporate profits, and the relative attractiveness of different investments. When rates move meaningfully, both stocks and bonds can reprice as investors reassess risk, income, and future growth expectations.

- **How does inflation impact investment portfolios?**

  Inflation can reduce purchasing power and influence interest rate policy, bond yields, consumer behavior, and company margins. Investors should evaluate inflation in relation to their income needs, time horizon, and overall asset allocation.

- **Why do bond yields matter to investors?**

  Bond yields can affect income expectations, borrowing costs, and how investors compare the value of stocks, bonds, and cash. Changes in yields may also influence the price of existing bonds and broader market sentiment.

- **What does economic data mean for investors?**

  Economic reports can influence expectations for growth, inflation, employment, and interest rates. Investors should consider economic data as one input in a broader planning and investment process rather than a reason to make reactive decisions.

- **Why does the Federal Reserve matter to the markets?**

The Federal Reserve influences short-term interest rates and monetary policy. Markets often respond to Fed commentary because it can affect borrowing costs, inflation expectations, and investor assumptions about future economic growth.

- **Should investors react to short-term market news?**

  Short-term news can be important, but it should not automatically drive major portfolio decisions. Investors are generally better served by reviewing market developments within the context of their goals, risk tolerance, liquidity needs, and time horizon.

- **How can investors stay disciplined during market volatility?**

  A written investment plan can help investors avoid making emotional decisions during volatile periods. Discipline often comes from understanding why a portfolio is positioned the way it is and how it supports long-term objectives.

- **When should investors revisit their financial plan?**

  Investors may want to revisit their plan after major life changes, meaningful market moves, tax-law changes, changes in income, or shifts in retirement goals. Regular reviews can help confirm whether the plan remains aligned with current priorities.

- **Why is diversification important during uncertain markets?**

  Diversification helps spread risk across different asset classes, sectors, and investment types. It does not eliminate risk or guarantee results, but it can help reduce overreliance on any single area of the market.

- **Should investors change their strategy based on one week of market news?**

  In most cases, one week of market movement is not enough information to justify a major strategy change. Any adjustment should be considered in light of the investor's broader financial plan, risk tolerance, and long-term objectives.

- **What should investors take away from this week's market update?**

  The key takeaway is to evaluate short-term market movement through the lens of long-term planning. Market updates can provide context, but individual decisions should be grounded in a disciplined plan.